

**REPORT OF THE AUDIT OF THE
SCOTT COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SCOTT COUNTY SHERIFF

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Scott County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$182,039 from the prior year, resulting in excess fees of \$1,153,237 as of December 31, 2007. Revenues increased by \$179,150 from the prior year and expenditures decreased by \$2,889.

Report Comment:

- The Sheriff Should Implement Policies And Procedures To Ensure That Sworn Deputies Employed And Compensated By The Sheriff's Office Meet Statutory Requirements For Peace Officer Certification And Payment Of Kentucky Law Enforcement Foundation Program Funds (KLEFPF)

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT.....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11
COMMENT AND RECOMMENDATION.....	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable George Lusby, Scott County Judge/Executive
The Honorable Bobby G. Hammons, Scott County Sheriff
Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Scott County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2008, on our consideration of the Scott County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable George Lusby, Scott County Judge/Executive
The Honorable Bobby G. Hammons, Scott County Sheriff
Members of the Scott County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Implement Policies And Procedures To Ensure That Sworn Deputies Employed And Compensated By The Sheriff's Office Meet Statutory Requirements For Peace Officer Certification And Payment Of Kentucky Law Enforcement Foundation Program Funds (KLEFPF)

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Scott County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

December 18, 2008

SCOTT COUNTY
BOBBY G. HAMMONS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$	82,664
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Circuit Court Clerk:

Sheriff Security Service	\$	6,401
Fines and Fees Collected		9,919
		3,518

Fiscal Court		84,664
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County Clerk - Delinquent Taxes		1,340
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Commission On Taxes Collected		781,293
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Fees Collected For Services:

Auto Inspections	14,220	
Serving Papers	80,460	
Carrying Concealed Deadly Weapon Permits	5,225	
Sheriff's Add-On Fees	109,194	
Advertising Fees	12,245	
Transporting Prisoners	1,099	
Courthouse Fees	25,390	
Miscellaneous	1,487	249,320

Interest Earned		30,667
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Total Revenues		1,239,867
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Expenditures

Operating Expenditures:

Other Charges-		
Carrying Concealed Deadly Weapon Permits		1,965

Total Expenditures		1,965
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The accompanying notes are an integral part of this financial statement.

SCOTT COUNTY

BOBBY G. HAMMONS, SHERIFF

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

(Continued)

Net Revenues		\$ 1,237,902
Less: Statutory Maximum	\$ 81,277	
Training Incentive	<u>3,388</u>	<u>84,665</u>
Excess Fees Due County for 2007		1,153,237
Payments to Fiscal Court - Monthly		<u>1,153,237</u>
Balance Due Fiscal Court at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due monthly to the County Treasurer.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Scott County Sheriff is required by Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent for the first six months and 33.87 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Scott County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Scott County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Forfeiture Account

The Scott County Sheriff's office maintains an account for the proceeds received from the confiscation, surrender, or sale of real and personal property involved in court cases. These proceeds may be used for certain operating expenditures of the Sheriff's office. The Scott County Sheriff's Forfeiture Account had a balance of \$16,673 on January 1, 2007. Receipts during the period were \$13,007 in forfeitures and expenditures totaled \$19,490. The balance of this account as of December 31, 2007 was \$10,190.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable George Lusby, Scott County Judge/Executive
The Honorable Bobby G. Hammons, Scott County Sheriff
Members of the Scott County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Scott County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated December 18, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Scott County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Scott County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Implement Policies And Procedures To Ensure That Sworn Deputies Employed And Compensated By The Sheriff's Office Meet Statutory Requirements For Peace Officer Certification And Payment Of Kentucky Law Enforcement Foundation Program Funds (KLEFPF)

The Scott County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the Sheriff's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Scott County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 18, 2008

COMMENT AND RECOMMENDATION

SCOTT COUNTY
BOBBY G. HAMMONS, SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The Sheriff Should Implement Policies And Procedures To Ensure That Sworn Deputies Employed And Compensated By The Sheriff's Office Meet Statutory Requirements For Peace Officer Certification And Payment Of Kentucky Law Enforcement Foundation Program Funds (KLEFPF)

During our audit we received information that the Scott County Sheriff's office was employing full time sworn deputy sheriff personnel of which Kentucky Law Enforcement Council (KLEC) had received no record or documentation that the personnel had met statutory requirements as set forth by KRS 15.380, KRS 15.382, KRS 15.440, KRS 70.045, and KRS 70.280 for pre-certification as a peace officer or of previously completing a law enforcement basic training course. Additionally, there is no record of the personnel in question having attended training at the Department of Criminal Justice Training (DOCJT). Further inquiry indicated the Sheriff's office also had several certified court security officers as sworn deputy sheriffs.

This occurred due to management override of controls by the Fiscal Court and Sheriff's office with regard to personnel hiring policies and procedures. Failure to comply with above outlined statutes and administrative regulations could result in the Sheriff's office being:

- (1) Required to pay for all future training received from DOCJT or any other facility approved by KLEC, and/or
- (2) Denied future participation in KLEFPF

Based on these findings we recommend the Sheriff consult with DOCJT, KLEC, Scott County Fiscal Court, and the Scott County Attorney in order to implement policies and procedures to ensure that sworn deputy sheriffs employed and compensated by the Sheriff's office meet statutory requirements for peace officer certification and payment of KLEFPF.

Sheriff's Response: This was an error of the County Judge and Jailer. I did not know he was sworn in as a deputy sheriff.

Auditor's Reply: The fiscal court minutes from August 28, 2008 state that the Jailer and Sheriff came before the court to request this employee be hired. This employee's time was included on the time reports for the Sheriff's office for payroll purposes.

